FINANCIAL RESULTS
OF

AD HYDRO POWER LIMITED

CORPORATE INFORMATION

BOARD OF DIRECTORS

CHAIRMAN
Mr. Ravi Jhunjhunwala

DIRECTORS
Mr. L. N. Jhunjhunwala
Mr. Erik Knive
Dr. Kamal Gupta
Mr. Bidyut Shome
Mr. Lars Ellegard

WHOLE TIME DIRECTOR
Mr. R. P. Goel

KEY EXECUTIVES
Mr. O.P. Ajmera, Chief Executive Officer
Mr. Surya Kant Chahal, In-charge (Operations)
Mr. V. D. Bhatia, Vice President (Operations)

COMPANY SECRETARY
Mr. Sandeep Chandna

STATUTORY AUDITORS
M/s. S. R. Batliboi & Company, Gurgaon

INTERNAL AUDITORS
M/s. Ashim & Associates, New Delhi

TECHNICAL CONSULTANTS
M/s. RSW International Inc., Canada
M/s. Indo Canadian Consultancy Services Ltd., Noida

BANKERS / FINANCIAL INSTITUTIONS
International Finance Corporation - Washington
IDBI Bank Limited
Punjab & Sind Bank
Oriental Bank of Commerce
United Bank of India
Punjab National Bank
Axis Bank Limited
The Jammu & Kashmir Bank Limited
ICICI Bank Ltd.
HDFC Bank Limited
State Bank of India
Yes Bank Limited

CORPORATE OFFICE
Bhilwara Towers
A-12, Sector - 1
Noida - 201 301 (NCR-Delhi)
Phone : 0120 - 4390000 (EPABX)
Fax : 0120 - 4277841
Website : www.adhydropower.com

REGISTERED OFFICE & WORKS
Village Prini, P.O. Tehsil - Manali
Distt. Kullu (H.P.)
Phone : 01902- 250183 / 184
Fax : 01902 - 251798
Email - adhydropower@hotmail.com

LIAISON OFFICE
Bhilwara Bhawan
40-41, Community Centre
New Friends Colony
New Delhi - 110 025
Phone : 011-26822997

CHAIRMAN'S SPEECH

Dear Stakeholder,

India has one of the largest electricity generation capacities. The demand is also expected to surge in the coming years with the growth in the economy. Still the Indian Power sector is going through a turbulence phase with generation costs increasing because of higher inputs and financial costs and at the same time inability of the cash strapped distribution companies to absorb the generated power to fulfill the ever growing energy demand from their consumers at increased generation costs. This has resulted in cash shortages in power generation companies

For the power sector, the financial year was really challenging with mounting debts of the state run distribution utilities, hurdles in land acquisition and delays in statutory clearances for the Greenfield projects and tightening project funding despite the best performances on capacity addition during FY2011-12 (20,502 MW) amongst all years till date and XIth Five Year Plan (54,964 MW) amongst all Five Year Plans respectively. There is case being built for much needed power sector reforms, which is likely to boost the power availability to meet the desired economic growth and revive the sagging confidence of the investors in the sector.

The mounting debts of the distribution utilities had resulted in their limited presence in the higher end segment of the short term energy market thus having a downward effect on the merchant power prices. With the commitments to take up reforms in the Power Sector and recent steps in that direction, it is hoped that there will be significant improvement in Power Sector scenario. This should lead to revival of investors' interest in the Power Sector. Going forward, with improvements in financial situation of utilities, the power prices in the short term markets should strengthen.

This financial year saw a few milestone achievements by your company. After the successful commissioning of Allain side of the 192MW AD Hydro Electric Project last year, the Duhangan side was also completed and operationalized on 28th February, 2012. Since then, the operations of the ADHEP are running smoothly at full capacity.

On behalf of the Board of Directors, I would like to express our sincere gratitude to the Ministry of Power, Government of India; Central Electricity Authority, Government of Himachal Pradesh, other government agencies, PTC India Limited, lenders, commercial banks, financial institutions, investors, joint venture partners for their unending support. I would also take this opportunity to thank our employees and business associates, who have been the pillar of strength for the Company.

With Best Regards

Ravi Jhunjhunwala
Chairman

DIRECTORS' REPORT

TO THE MEMBERS

A D HYDRO POWER LIMITED

The Directors of the Company are pleased to present their Ninth Annual Report on the business and operations of the Company and Audited Statement of accounts for the year ended 31st March, 2012 together with the Auditors' Report.

1.0 FINANCIAL PERFORMANCE

(₹ in million)

Particulars	For the Year ended 31.03.2012	For the Year ended 31.03.2011
TOTAL TURNOVER	**1,688.519**	390.879
Less : Discount on prompt payments	**27.213**	7.307
Less : Handling charges	**4.816**	3.759
Add: Unscheduled interchange charges	**36.536**	21.338
Net Sales	**1,693.026**	401.151
Transmission Charges	**180.889**	–
Revenue from operations	**1,873.915**	401.151
Other Income	**4.723**	2.960
Total Income	**1,878.639**	404.111
Profit /(Loss) before Interest , Depreciation and Tax	**1,266.505**	(2.271)
Interest	**871.772**	568.032
PROFIT/ (LOSS) BEFORE DEPRECIATION AND TAX	**394.733**	(570.303)
Depreciation	**952.406**	556.230
Profit / (Loss) Before Tax	**(557.673)**	(1,126.533)
Net profit (Net Loss)	**(557.673)**	(1,126.533)
Balance brought forward from previous year	**(1,126.534)**	–
NET PROFIT/(NET LOSS) CARRIED TO BALANCE SHEET	**(1,684.206)**	(1,126.533)
EPS	**(1.00)**	(2.01)

Your Company's total income during the year stood at ₹1,878.639 million as compared to ₹404.111 million in previous year. Since the project was commissioned in the previous year, hence the figures are not comparable. During the year under review, the Company's profitability remained under stress. The Duhangan side, which accounted for 30% of the capacity, was commissioned in end of February 2012. Accordingly only 70% of the capacity was available for utilization for the year. Moreover the merchant/short term tariff also remained subdued throughout the year.

2.0 OPERATIONAL PERFORMANCE

Your Directors are pleased to inform the members that during the FY2011-12, though at the end of the financial year the Duhangan side of the project was operationalized on 28th February 2012. With this, the project would be able to utilize its 100% capacity. However, the impact of 100% capacity utilization, will be available from FY2012-13 onwards. During the year under review, the total generation stood at 527.248 million units The generation of 527.248 million is at 94% of the available capacity.

The operation data for the year is as given below:

(in million units)

S. No	Particulars	2011 -12	2010-11
1.	Total Generation	**527.248**	144.722
2.	Less: Auxiliary & Transmission Loss	**13.825**	3.988
3.	Less: Royalty/ Wheeling to Govt. HPSEB	**61.611**	16.723
4	Less : Impact of Unscheduled Interchange Energy	**13.624**	15.339
5.	Total Units sold	**438.188**	108.672

3.0 THE FUTURE OUTLOOK

The XIth Five Year Plan, which concluded in March 2012, witnessed capacity addition of 54,964MW (against 21,180MW in Xth Five Year Plan of 2002-2007). This falls short of original target of 78,600 MW set at the beginning of the Plan and also revised target of 62,274MW, set during the midterm appraisal of the Plan. With this capacity addition, the power shortages, peak as well as energy, have come down marginally.

The capacity addition is likely to peak in the years FY2012-13 and FY2013-14, because of the commissioning of those projects : which were due for commissioning in XIth Plan and have been delayed on account of diverse factors and; which are in advance stages of commissioning in early XIIth Plan.

More than 84% of these capacity additions in XIIth Plan will be coal based, which will require strategy for sourcing of additional coal for fuel. Indian power generators are increasingly resorting to coal imports as domestic production of the fuel has not been enough to meet their requirements. During

2011-12, the power sector accounted for about 45 per cent of the country's total coal imports, which stood at 98.93 million tonnes (MT). In a scenario with high levels of coal prices internationally and restricted availability of domestic coal on cost plus basis, hydro power sector would be more competitive in terms of tarif.

The average prices in short term markets have reduced from a high of ₹ 7/+ in FY2008-09 to less than ₹4/-. The demand for energy is growing, but the appetite of the state distribution utilities (discoms) is decreasing. This is due to the failing financial health of these discoms. The accumulated losses of the discoms has crossed ₹2 trillion in March, 2012. The reasons behind the financial distress of discoms are : inadequate escalation in tariffs, technical losses due to inefficient equipment, commercial losses due to power theft and the state governments' failure to pay subsidy. These issues have been prevalent for a while and are being addressed. Steps like : substantial upward revisions in consumer tariffs, have already been initiated. These steps are likely to improve the purchasing capacities of discoms and increase their participation in the energy markets. This will have a positive impact on the ongoing power tariff.

The new transmission pricing regime based on point of connection (PoC), will open the gates for consumers from other sources and hydro power projects in Northern region will be able to access new markets. The transmission charges will not be sensitive to distance and will be based on load flows on account of injection or withdrawal of power. As a seller of power in short term, your Company will be competitive in markets other than its traditional markets.

Thus the outlook for the next financial year is likely to be cautiously optimistic.

4.0 DIVIDEND

Keeping in view the financial commitment of the Company, your Directors do not propose any dividend for the financial year under review.

5.0 PUBLIC DEPOSITS

The Company has not accepted any deposits from the public during the year under reporting.

6.0 ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO

Information required to be disclosed under Section 217 (1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the report of Board of Directors) Rules, 1988 has been given in the Annexure I, forming part of this Report.

7.0 PARTICULARS OF EMPLOYEES:

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956 (the Act), read with the Companies (Particulars of Employees) Rules, 1975, as amended, regarding employees is given in Annexure-II to the Directors' Report.

8.0 INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

8.1 INTERNAL CONTROL SYSTEMS

The Company has a proper and adequate internal control system for all its activities to ensure compliance with policies, procedures, applicable Acts and Rules, including safeguarding and protecting its assets against any loss from unauthorized use of disposition. All transactions are properly documented, authorized, recorded and reported correctly. The Company has well defined Management Reports on key performance indicators. The systems are reviewed continuously and its improvement and effectiveness is enhanced based on the reports from various fields. The Audit Committee also reviews the adequacy of Internal Control Systems

The Company's Internal Control Systems are supplemented by Internal Audit covering all financial and operating functions.

8.2 INTERNAL AUDIT

Internal Audit at ADHPL is an independent, objective and assurance function conscientious for evaluating and improving the effectiveness of risk management, Control, and governance processes. The function prepares annual audit plans based on risk management and conducts extensive reviews covering financial, operational and compliance controls and risk mitigation. Internal audit plans cover matters identified in risk management assessments as well as issues highlighted by the Board, the Audit Committee and senior management. The areas requiring specialized knowledge are reviewed in partnership with external experts.

Internal Audit is conducted across all locations and of all functions by firms of Chartered Accountants, who verify and report on the functioning and effectiveness of internal controls. The Internal Audit reports the progress in implementation of recommendations contained in such reports. Internal audit reports are submitted along with the Management's response to the Audit Committee. The Audit Committee of the Board monitors performance of Internal Audit on time-to-time basis through review of the internal audit plans, audit findings & swiftness of issue resolution through follow ups.

9.0 DIRECTORS

Mr. Erik Knive and Mr. Lars Ellegard were appointed as additional directors of the Company with effect from 1st March, 2012 and 30th August, 2012 respectively until the conclusion of the next annual general meeting. The Board recommends the appointments of Mr. Erik Knive and Mr. Lars Ellegard on the Board of the Company.

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. L. N. Jhunjhunwala and Mr. Ravi Jhunjhunwala, Directors of the Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board recommends their re-appointment at the ensuing Annual General Meeting. The aforesaid reappointments/appointments are subject to the approval of the Members and the necessary resolutions have been incorporated in the notice of the Annual General Meeting.

Mr. Tor Inge Stokke was appointed as additional director of the Company with effect from 30th September, 2011 until the conclusion of the next annual general meeting. However he subsequently resigned on 30th August 2012.

During the year, Mr. Knut Reed also resigned from the Board of Directors of the Company on 1st March, 2012. The Board of Directors wishes to place on record their appreciation towards the contribution made by Mr. Knut Reed and Mr. Tor Inge Stokke during their tenure as Directors of the Company.

10.0 AUDIT COMMITTEE

During the year, the Audit Committee met two times to review Company's Financial results, Internal Control Systems, Risk Management Policies and Internal Audit Reports.

During the year, the Audit Committee was reconstituted. As on date, the Members of the Audit Committee are : Mr. Ravi Jhunjhunwala, Dr. Kamal Gupta and Mr.Erik Knive. The proceedings of the Committee were in accordance with the provisions of the Companies Act, 1956.

11.0 DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors of your company state hereunder:-

i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

ii) that the accounting policies have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for the financial year 2011-2012.

iii) that the proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and

iv) That the annual accounts have been prepared on a going concern basis.

12.0 AUDITORS

12.1 STATUTORY AUDITORS

M/s. S.R. Batliboi & Co., Chartered Accountants, Statutory Auditors of the Company, will retire from their office at the ensuing Annual General Meeting. They are, however, eligible for re-appointment. The Company has received consent letter from M/s.S.R. Batliboi & Co., Chartered Accountants, under section 224(1B) of the Companies Act, 1956, for re-appointment as Statutory Auditors of the Company. The Board recommends the re-appointment of M/s.S.R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company.

12.2 COST AUDITORS

Pursuant to Section 233B(2) of the Companies Act, 1956, in terms of the Central Government's approval, the Board of Directors, on the recommendation of the Audit Committee, has appointed M/s.K.G. Goyal & Co., Cost Accountants, as the Cost Auditor of the Company for the year. M/s.K. G. Goyal & Co., has confirmed that their appointment is within the limits of the Section 224(1B) of the Companies Act, 1956 and have certified that they are free from any disqualifications specified under Section 233B(5) read with Section 224 sub section (3) or sub section (4) of Section 226 of the Companies Act, 1956.

AUDITORS' REMARKS

The Auditors' Report read along with Notes to the Accounts is self-explanatory and requires no further comments from the Board.

13.0 HUMAN RESOURCE DEVELOPMENT

The Company believes in today's evolving competitive business dynamics, employees are the key differentiators. Our people are core to "What we are" and thus we have built a strong alignment between our organization's vision & values. Our employee partnership ethos reflects the Company's long-standing business principles and drives the company's overall performance. While we have continued to equip employees with the necessary skills and attitude to deliver on their current job responsibilities, the prime focus has been to identify, assess, groom and build leadership potential for future.

The Company has a comprehensive HR Policy Manual. The Human Resources Development intervention has provided opportunity for open interaction, communication and feedback at the power plant.

During the financial year under consideration, the Company had organized interactive workshop for the benefit of all the senior members at Corporate Office and staff members at the site office on 24th August 2011 on Core Values and Code of Conduct, at the Corporate Office and Site Office with the support of Hero Mindmine. These workshops provided guidance to ensure that each individual's behavior is in line with the Company's core values, ethical standards, regulatory framework and business principles.

14.0 ENVIRONMENT, HEALTH & SAFETY

The Company has been complying with of all statutory requirements applicable to its scope of activities under Health, Safety and Environment management, since the inception of the project. The Company has been regularly monitoring environment at the project sites and surrounding areas.

The Company celebrates 05th June as Environment Day by having plantation in local areas. The disposal of hazardous waste is being done as per approved standard/Norms of Pollution Control Board. The Company has been providing assistance in preparation, fixation and maintenance of environmental awareness boards on NH-21A from Kullu to Rohtang. The Company has completed the restoration of Muck Dumping sites of Panduropa, Bhujdhar and barrage areas. The Company regularly distributes plant saplings to local villagers for plantation. A fully automated weather station has been installed at intermediate reservoir to record meteorological parameters round the clock.

The Company has one primary health centre at Prini, having well experienced medical officer and other paramedical staff with a 24 hour ambulance. The employees are adequately covered under various insurance policies against risk of health and life disasters. Annual health check-ups are carried out for all the employees. Tetanus vaccination has been regularly administered to construction workers at Duhangan weir and Transmission Line. The first aid training is regularly conducted for construction workers who are involved in various jobs at Duhangan weir site.

The security of employees is one of the prime concerns of the Management. Consistent efforts have made by the Company to improve safety standards in the Company by taking measures like intensive safety drives in work area and conducting safety audit, workshop & first aid training, etc. The safety audits are regularly conducted in the plant area. Emergency Response Plan has already been prepared. Trainings on Safety Induction, Emergency response and Behavioral Safety training are conducted for new personnel. Demonstration on use of fire extinguishers and Safety Tool Box Talks are regularly given by Safety Officers at sites. Avalanche Protection Training is also imparted regularly.

With an objective to increase awareness about Safety & Health amongst the employees, engineers participated in a HSE Cultural workshop conducted by SN Power. On this occasion, a safety pledge was taken by the staff /workers to promote proactive EHS Culture. Your Company has launched the Transportation Safety year w.e.f. 10th November, 2011 at the project site, wherein various activities, like : Drivers' training, medical health check up of drivers, vehicle inspection and audits, emergency response drills and vehicle maintenance, etc. The Company also observed 1st Jan.-7th Jan. 2012 as Road Safety Week.

On 15th May, 2012, an emergency fire drill was carried out at site with the participation of Fire Department of Himachal Pradesh. The drill was quite successful and was appreciated by the Fire Department.

All safety measures, like : tightening of jumpers, tower fittings/accessories, vibration dampers and inspection/cleaning of insulators, are taken for pre-winter preventive maintenance work of the transmission line. The access control system has been implemented at strategic locations of the project site. Security guards at tunnel portals ensure that all tunnel entrants are equipped with necessary PPE's.

The Company has achieved a great milestone by logging 215 days without any loss time incident, as on the date of this report.

15.0 CORPORATE SOCIAL RESPONSIBILITY

The Company believes that, in its areas of operations, its activities should generate economic benefits and opportunities for an enhanced quality of life for all the stakeholders and the society at large.

As a constructive partner in the communities in which it operates, the Company has been taking concrete action to realize its social responsibility and accordingly has been spending on the infrastructure development including construction, widening and strengthening of roads; construction of bridges; construction and maintenance of local school. The Company also contributes to women empowerment, community development and healthcare. The Company is running a dispensary, with full time doctor and free medicines for the benefits of local villagers.

Various events like : Republic Day, Independence Day, New Year, Vishwakarma Jayanti, Dussehra, Diwali, Janmashtami, Annual Day, Lohari, etc. are celebrated in the campus.

To make efforts sustainable, the Company has been contributing for organization of local fair/ festival like : Kullu's Dussehra Festival, Winter Carnival at Manali (9thJan.-13thJan. 2012) and; conducting blood donation camps and Pulse Polio Program. On the occasion of World Breastfeeding Week (01/08/2011 to 07/08/2011), awareness programme was organized in Primary Health Centre at Prini, where 25 local women participated. The Company regularly participates in pulse polio eradication Program conducted by Government of India by way of providing professional and logistics support to the state machinery. AIDS day was celebrated at Government High School, Prini, in which, inter school competitions (e.g.. Declamation, play, quiz etc.) were organized among the children on various topics related with HIV/AIDS.

16.0 CORPORATE GOVERNANCE

The Company is committed to the application of the best management practices, compliance with law, adherence to ethical standards and discharge of social responsibilities. The Company has in all spheres of its activities adequate checks and balances to ensure protection of interest of all stakeholders. Your Company also endeavors to share, with its stakeholders openly and transparently, information on matters which have a bearing on their economic and reputational interest.

The majority of the Board comprises of Non-Executive Directors who play a critical role in imparting balance to the Board processes, by bringing an independent judgment to decide on issues of strategy, performance, resources, standards of Company's conduct, etc. The Audit Committee of the Board provides assurance to the Board on the adequacy of Internal Control Systems and Financial Systems.

18.0 ACKNOWLEDGEMENT

The Directors place on record their sincere appreciation for the co-operation and support received from the Ministry of Power, Government of Himachal Pradesh, other government agencies, lenders, commercial banks, shareholders, financial institutions, PTC India Limited and our valued customers, who have continued their valuable support and encouragement during the year under review.

The Directors also acknowledge and appreciate the commitment displayed by all executives, officers and staff at all levels of the Company.

For and on Behalf of the Board of Directors

Ravi Jhunjhunwala
Chairman
(Din 00060972)

Place: Noida
Date: 30th August, 2012

ANNEXURE I TO THE DIRECTORS' REPORT

STATEMENT OF PARTICULARS PURSUANT TO THE COMPANIES

(DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

1. CONSERVATION OF ENERGY -
   - Some of the fluorescent tubes have been replaced with LED lamps.
2. TECHNOLOGY ABSORPTION -
   - The Company has been absorbing the technologies of different systems, which were implemented during the Project Construction Phase. Apart from these, no new technology have been absorbed during the Financial Year.
3. FOREIGN EXCHANGE EARNINGS AND OUTGO

(in ₹ million)

		2011-12	2010-11
I	Foreign Exchange Outgo		
	Engineering Fees and Consultancy charges	**14.693**	33.870
	Legal and Professional charges	**39.039**	59.459
	Traveling	**1.729**	1.738
	Finance Costs	**0.515**	0.454
	Capital and Project Equipments	**Nil**	0.431
	Total	**55.976**	95.955
II	Foreign Exchange Earnings		
	Others (Sale of Voluntary Emission Rights)	**NIL**	NIL
	Total	**NIL**	NIL

ANNEXURE II TO THE DIRECTORS REPORT

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975 and forming part of Directors Report for the year ended 31st March 2012 are given hereunder:

I. Persons employed for the full year

Name	Designation	Remuneration (₹ in Millions)	Qualification	Experience	Age	Date of Commencement of Employment
NIL						

AUDITORS' REPORT

To

The Members of AD Hydro Power Limited

1. We have audited the attached Balance Sheet of AD Hydro Power Limited ('the Company') as at March 31, 2012 and also the Statement of profit and loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Without qualifying our opinion, attention is invited to Note 35 of the financial statements, regarding management's assessment of carrying amount of fixed assets of the Company. The Company has incurred a loss of ₹ 5,576.73 lakhs during the year ended March 31, 2012 and has accumulated losses of ₹ 16,842.06 lakhs as at March 31, 2012. Based on financial projections (including the projected tariff) arrived at after considering past experience of running similar power projects and renewable sources of fuel, the Company believes that profits are expected to accrue once the entire project runs on full capacity for the entire year and hence, no adjustments are required to the carrying amount of fixed assets on account of impairment. In the absence of external evidence of such future projections (including those related to assumption of projected tariff), we have relied upon management's assessment in this regard.

5. Further to our comments in the Annexure referred to above, we report that:

   i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   iii. The balance sheet, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;

   iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.

   v. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

      a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2012;

      b) in the case of the statement of profit and loss, of the loss for the year ended on that date; and

      c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: August 30, 2012

Annexure referred to in paragraph 3 of our report of even date

Re: AD Hydro Power Limited ('the Company')

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) Fixed assets have been physically verified by the management during the year and no material discrepancies were identified on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

(ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of material lying with third parties, the management has a process of confirmations and reconciliations with the third parties during the year.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(b) The Company has taken loan from one Company covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs 59,818.32 lakhs and the year-end balance of loan taken from such Company was Rs 52,196.57 lakhs (excluding interest accrued on the loan amounting to ₹ 7,461.13 lakhs).

(c) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan is not prima facie prejudicial to the interest of the Company.

(d) As informed to us and as per the terms of the Subordination Loan agreement with the lenders, the loan taken and interest thereon is re-payable only once all obligations to outside lenders have been paid and discharged in full. Accordingly, the lender has not demanded repayment of any such loan and interest thereon during the year and thus, there has been no default on the part of the Company.

(iv) As per the information and explanations given to us, certain fixed assets and inventories purchased are of specialized nature for which comparable prices are not available. Read with above, in our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of power and scrap. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas. Due to the nature of its business, the Company is not required to sell any services.

(v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Companies Act, 1956 that need to be entered into the register maintained under section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

(vi) The Company has not accepted any deposits from the public.

(vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956, related to the generation of electricity from hydro-electric power and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

(ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to the Company. The provisions relating to employees' state insurance, are not applicable to the Company.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to employees' state insurance are not applicable to the Company.

(c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.

(x) The Company's accumulated losses at the end of the financial year are less than fifty percent of its net worth and it has not incurred cash losses in the current year. *In the immediately preceding financial year, the Company incurred cash losses.*

(xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank. The Company has no outstanding dues in respect of debenture holders.

(xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

(xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks and financial institutions.

(xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

(xvii) According to the information and explanations given to us, on an overall examination of the balance sheet of the Company and considering capital creditors as long term funds, *we report that funds amounting to ₹ 1,765.93 lakhs raised on short-term basis representing short term loan from holding company have been used for funding of losses.* However, subsequent to balance sheet date, the Company has obtained long term funds to meet its funding requirements.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company did not have any outstanding debentures during the year.

(xx) During the year under review, the Company has not raised money through public issues: hence, clause 4 (xx) of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

(xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. BATLIBOI & CO.
Firm registration number: 301003E
Chartered Accountants

per Raj Agrawal
Partner
Membership No.: 82028

Place: Gurgaon
Date: August 30, 2012

BALANCE SHEET AS AT 31 MARCH, 2012

Particulars	Note No.	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
I Equity and liabilities			
1 Shareholders' funds			
(a) Share capital	3	**56,015.28**	56,015.28
(b) Reserves and surplus	4	**(16,842.06)**	(11,265.34)
		39,173.22	44,749.94
2 Non-current liabilities			
(a) Long-term borrowings	5	**129,753.36**	131,378.32
(b) Other long term liabilities	6	**7,461.13**	7,461.13
(c) Long-term provisions	7	**84.53**	122.98
		137,299.02	138,962.43
3 Current liabilities			
(a) Short-term borrowings	8	**5,816.57**	–
(b) Trade payables	9	**2,559.22**	4,171.80
(c) Other current liabilities	9	**7,999.78**	7,112.69
(d) Short-term provisions	7	**112.30**	72.75
		16,487.87	11,357.24
Total		**192,960.11**	195,069.61
II. Assets			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	10	**186,897.55**	158,490.58
(ii) Capital work-in-progress	11	**289.57**	18,101.92
(iii) Expenditure during construction period (pending capitalisation)	12	**–**	12,777.56
(b) Long-term loans and advances	13	**181.70**	1,053.70
(c) Other non-current assets	14	**71.71**	76.71
		187,440.53	190,500.47
2 Current assets			
(a) Inventories	15	**1,348.74**	1,198.01
(b) Trade receivables	16	**1,258.30**	542.74
(c) Cash and bank balances	17	**436.70**	392.42
(d) Short-term loans and advances	13	**265.88**	199.89
(e) Other current assets	18	**2,209.96**	2,236.08
		5,519.58	4,569.14
TOTAL		**192,960.11**	195,069.61
Summary of significant accounting policies	2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants
Firm Registration No. : 301003E

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

For and on behalf of the Board of Directors of AD Hydro Power Limited

RAVI JHUNJHUNWALA
Director
DIN: 00060972

ERIK KNIVE
Director
DIN: 05213708

O.P. AJMERA
Chief Executive Officer

SANDEEP CHANDNA
Company Secretary
M.No.: F6345

Place : Noida
Date : August 30, 2012

STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31 MARCH, 2012

Particulars		Note No.	Year ended 31 March 2012 (₹ in lakhs)	Year ended 31 March 2011 (₹ in lakhs)
I	**Income**			
	a Revenue from operations (net)	19	**18,739.15**	4,011.51
	b Other Income	20	**47.23**	29.60
	Total Income		**18,786.38**	4,041.11
II	**Expenses**			
	Wheeling Cost		**2,649.66**	1,185.41
	Employee benefits expense	21	**1,257.27**	857.60
	Other expenses	22	**2,214.40**	2,020.82
	Depreciation and amortization expense	23	**9,524.06**	5,562.30
	Finance costs	24	**8,717.72**	5,680.32
	Total expenses		**24,363.11**	15,306.45
III	**Loss before tax**		**(5,576.73)**	(11,265.34)
IV	**Net loss carried to balance sheet**		**(5,576.73)**	(11,265.34)
V	**Earnings per share (nominal value of share ₹10)**			
	Basic and diluted	25	**(1.00)**	(2.01)
Summary of significant accounting policies		2		

The accompanying notes are an integral part of the financial statements

As per our report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants
Firm Registration No. : 301003E

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

For and on behalf of the Board of Directors of AD Hydro Power Limited

RAVI JHUNJHUNWALA
Director
DIN: 00060972

ERIK KNIVE
Director
DIN: 05213708

O.P. AJMERA
Chief Executive Officer

SANDEEP CHANDNA
Company Secretary
M.No.: F6345

Place : Noida
Date : August 30, 2012

CASH FLOW STATEMENT AS AT 31 MARCH, 2012

Particulars	For the year ended March 31, 2012 ₹ In lakhs	For the year ended March 31, 2011 ₹ In lakhs
Cash flow from operating activities		
Net profit before tax	**(5,576.73)**	(11,265.34)
Adjustments for :		
Depreciation	**9,524.06**	5,562.30
Provision for doubtful advances	**24.40**	-
Profit on sale of assets	**(11.77)**	-
Interest expense	**8,671.96**	5,680.32
Interest income	**(35.42)**	(29.60)
Miscellaneous expenditure (share issue expenses) written off	**-**	200.18
Operating profit before working capital changes	**12,596.50**	147.86
Movement in working capital :		
- (Increase)/decrease in trade receivables	**(715.56)**	(542.74)
- (Increase)/decrease in loans and advances	**(104.53)**	(3,712.53)
- (Increase)/decrease in inventories	**(150.73)**	575.20
- (Decrease)/increase in trade payable and current liabilities	**(1,891.09)**	(4,450.04)
- (Decrease)/increase in provision	**1.09**	9.60
Cash generated from operations	**9,735.68**	(7,972.65)
Direct tax (paid) /refund	**(40.16)**	(1.20)
Net cash from operating activities (A)	**9,695.52**	(7,973.85)
Cash flow from investing activities		
Purchase of fixed assets (including capital work in progress & capital advances)	**(6,421.87)**	(7,021.12)
Fixed deposit redeemed	**5.00**	3,655.07
Proceeds from sale of fixed assets (including project equipment)	**49.36**	-
Interest received	**26.62**	39.04
Net cash from / (used in) investing activities (B)	**(6,340.89)**	(3,327.01)
Cash flow from financing activities		
(Repayment of) long-term borrowings	**(5,909.21)**	(3,364.45)
Proceeds from long-term borrowings	**2,750.00**	19,346.77
Proceeds of Long term subordination debt from holding company	**2,678.02**	-
Proceeds of Short term Loan from holding company (net)	**5,816.57**	-
Interest paid	**(8,645.73)**	(9,254.91)
Net cash flow from / (used in) financing activities (C)	**(3,310.35)**	6,727.41
Net Increase in cash and cash equivalents (A+B+C)	**44.28**	(4,573.45)
Cash and cash equivalents at the beginning of the year	**392.42**	4,965.87
Cash and cash equivalents at the end of the year	**436.70**	392.42
Components of cash and cash equivalents		
Cash on hand	**2.45**	4.46
With banks - on current account	**434.25**	387.96
Total cash & cash equivalents (Note no. 17)	**436.70**	392.42

The cash flow statement has been prepared under the indirect method as set out in the Accounting Standard 3 "Cash Flow Statement" of the Companies (Accounting Standard) Rules 2006.

As per our report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants
Firm Registration No. : 301003E

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

For and on behalf of the Board of Directors of AD Hydro Power Limited

Ravi Jhunjhunwala
Director
DIN: 00060972

ERIK KNIVE
Director
DIN: 05213708

O.P. AJMERA
Chief Executive Officer

SANDEEP CHANDNA
Company Secretary
M.No.: F6345

Place : Noida
Date : August 30, 2012

1. **Nature of Operations**

AD Hydro Power Limited (hereinafter referred to as 'the Company') is engaged in the generation of hydro electric power. Upto the end of previous year, the Company was is in the process of setting up a 192 MW hydro electric power generation project, out of which, part of the project (Allain side) has started commercial production in 2010-11 and balance portion of the project on Duhangan side has started commercial production in the current year.

2. **Basis of preparation of Financial Statement**

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

2.1 Summary of Significant Accounting Policies

(a) Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year. Although these estimates are based upon management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

(c) Fixed Assets

Fixed assets comprises tangible and intangible assets are stated at cost, less accumulated depreciation/ amortisation less impairment losses if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use.

Expenditure directly relating to construction activity is capitalized and apportioned to fixed assets on completion of the project. Indirect expenditure incurred during the construction period which is not related to the construction activity nor is incidental thereto has been charged to the statement of profit and Loss account. Income earned during construction period is deducted from the total of the indirect expenditure.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are changed to the statement of profit and loss for the period during which such expenses are incurred.

(d) Impairment of assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

(e) Depreciation

(i) Depreciation on Buildings is provided on straight-line method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule XIV of the Companies Act, 1956.

(ii) Depreciation on Project equipments (net of their expected realizable value at the completion of the project) has been provided as per straight line method over the period upto the date of completion of the project.

(iii) Depreciation on the assets of generating unit and other Plant & Machinery, is provided on straight-line method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule XIV of the Companies Act, 1956

(iv) Depreciation on Roads constructed on land owned by the Company is provided on straight line method at the rates based on their estimated useful life of 10 years which is higher than the rates prescribed in Schedule XIV of the Companies Act, 1956, as under:

	Rate (SLM)	Schedule XIV Rate (SLM)
Roads	10.00%	3.34%

(v) Depreciation on fixed assets other than those covered under (i) to (iv) above is provided on written down value method at the rates based on their estimated useful lives, which corresponds to the rates prescribed in Schedule XIV of the Companies Act, 1956.

(f) Borrowing Costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

(g) Leases

Where the Company is the lessee

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the statement of profit and loss account on a straight-line basis over the lease term.

(h) Inventories

Inventories comprising of components and stores and spares are valued at lower of cost and net realizable value. Cost is determined on weighted average basis. Scrap is valued at net realizable value.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

(i) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Electricity

Revenue from sale of electricity is recognised on the basis of billable electricity (over and above free supply to Himachal Pradesh's State Government) scheduled to be transmitted to the customers, which approximates the actual electricity transmitted.

Interest

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

Sale of Scrap

Revenue in respect of sale of scrap is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

Carbon Credit Entitlement

In process of generation of hydro-electric power, the Company also generates carbon emission reduction units which may be negotiated for price in international market under Clean Development Mechanism (CDM) subject to completing certain formalities and obtaining certificate of Carbon Emission Reduction (CER) as per Kyoto Protocol. Revenue from CER is recognised as and when the CER's are certified and it is probable that the economic benefits will flow to the Company.

(j) Foreign currency translation

Foreign currency transactions and balances

(i) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are retranslated using exchange rate prevailing at the reporting date.. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

(iii) Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise.

(k) Retirement and other employee benefits

(i) Retirement benefits in the form of Provident Fund and superannuation scheme are a defined contribution scheme and the contributions are charged to the statement of profit and loss of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the provident fund/trust.

(ii) Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.

(iii) Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date. The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method at the year-end.

(iv) Liability under continuity loyalty bonus scheme ('CLB') is provided for on actuarial valuation basis, which is done as per projected unit credit method at the end of each financial year.

(v) Actuarial gains/losses are immediately taken to statement of profit and loss in the period in which they incur and are not deferred.

(vi) The Company presents its leave, gratuity and CLB liability as current and non-current based on the actuarial valuation.

(l) Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income originating during the current year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised for deductible timing differences only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

(m) Earnings Per Share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

(n) Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on management estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

(o) Cash and Cash equivalents

Cash and cash equivalents for the purposes of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

(p) Contingent Liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

3. SHARE CAPITAL

Particulars		As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Authorized Shares			
700,000,000	(previous year 700,000,000) equity shares of ₹ 10 each	**70,000.00**	16,000.00
Issued, Subscribed and fully paid-up shares			
560,152,841	(previous year 560,152,841) equity shares of ₹ 10 each fully paid	**56,015.28**	14,752.57

(a) Reconciliation of the equity shares outstanding at the beginning and at the end of the year

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount (₹ in lakhs)	No. of shares	Amount (₹ in lakhs)
Shares outstanding at the beginning of the year	**560,152,841**	**56,015.28**	560,152,841	56,015.28
Shares Issued during the year	**-**	**-**	-	-
Shares outstanding at the end of the year	**560,152,841**	**56,015.28**	560,152,841	56,015.28

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Shares held by holding / ultimate holding company and / or their subsidiaries / associates

	As at 31 March 2012		As at 31 March 2011	
	No. of shares	Amount (₹ in lakhs)	No. of shares	Amount (₹ in lakhs)
Malana Power Company Limited, the holding company, alongwith its nominees	**492,955,640**	**49,295.56**	492,955,640	49,295.56

(d) Details of shareholders holding more than 5% shares in the Company

Equity shares of ₹ 10 each fully paid up	As at 31 March 2012		As at 31 March 2011	
	No. of shares	% Holding	No. of shares	% Holding
Malana Power Company Limited	**492,955,640**	**88.00%**	492,955,640	88.00%
International Finance Corporation, Washington	**67,197,201**	**12.00%**	67,197,201	12.00%

As per the records of the Company, including its register of shareholders/members, the above shareholding represents legal ownership of shares.

4. RESERVES & SURPLUS

Particulars	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Surplus/(deficit) in the statement of profit and loss		
Balance as per last financial statements	**(11,265.34)**	**-**
Add loss for the year	**(5,576.73)**	**(11,265.34)**
Net deficit in the statement of profit and loss	**(16,842.07)**	**(11,265.34)**
Total reserves and surplus	**(16,842.07)**	**(11,265.34)**

5. LONG TERM BORROWINGS

	Non current portion		Current maturities	
	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Term loans				
From banks (secured)	**55,266.14**	60,241.78	**5,225.00**	4,708.22
From financial institution (secured)	**28,107.22**	27,434.56	**1,827.33**	1,200.99
Other loan and advances				
Loan and advances from related party - holding company (unsecured) (refer Note 42)	**46,380.00**	43,701.98	**-**	-
TOTAL	**129,753.36**	131,378.32	**7,052.33**	5,909.21
The above amount includes				
Secured Borrowings	**83,373.36**	87,676.34	**7,052.33**	5,909.21
Unsecured Borrowings	**46,380.00**	43,701.98	**-**	-
Amount disclosed under the head "other current liabilities" - (Note 9)	**-**	-	**(7,052.33)**	(5,909.21)
	129,753.36	131,378.32	**-**	-

The Company has taken Indian Rupee term loans from various banks amounting to Rs.55,116.78 lakhs (previous year Rs. 59,200.00 lakhs) having interest rates ranging from 8.00% to 14.75% per annum (previous year 8.00% to 13.00% per annum). These loans are repayable in 40 quarterly principal payments based on mortgage style amortization and the repayment instalment starts from October 1, 2010.

The Company has also taken Indian Rupee term loans from a bank amounting to Rs.5,374.36 lakhs (previous year Rs. 5,750.00 lakhs) having interest rate of 13.50% per annum (previous year 12.00% to 12.75% per annum). This loan is repayable in 46 equal Quarterly principal payments of Rs. 125 Lakhs from October 1, 2011.

Term loan from a financial institution (represents loan from IFC, Washington, a minority shareholder) of Rs. 10,356.47 lakhs (previous year Rs 11,135.55 lakhs) was taken during the financial year 2007–08 and carries interest @ 7.51% to 10.18% p.a. The loan is repayable in 40 quarterly installments based on mortgage style amortization starting from 15th October 2010. Further term loan from IFC Washington of Rs. 19,578.08 lakhs (previous year Rs 17,500.00 lakhs) was taken during the years 2009–10 to 2011-12 and carries interest @ 10.19% to 10.50% p.a. The loan is repayable in 46 quarterly installments based on mortgage style amortization starting from 15th October 2011.

Term loans from banks and a financial institution are secured by way of a first mortgage/charge on all immovable properties wherever situated, both present and future, and hypothecation of all movable assets, rights, etc., present and future, of the Company, on pari passu basis. Further, the holding company, Malana Power Company Limited, has provided corporate guarantee and has also pledged its share holding in the Company.

Term loan from holding company is unsecured and is given by the holding company as per the terms of the Subordinated Loan Agreement with lenders. The loan granted and interest thereon is repayable only once all obligations to the outside lenders have been paid and discharged in full. The loan carries no interest (also refer Note 42 of the financial statements).

6. OTHER LONG TERM LIABILITIES

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Interest accrued but not due on loan from holding company (refer note 42)	**7,461.13**	7,461.13
TOTAL	**7,461.13**	7,461.13

7. PROVISIONS

	Long-term		Short-term	
	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Provision for employee benefits				
Provision for gratuity	**1.71**	-	**18.34**	20.41
Provision for leave benefits	**64.43**	51.08	**14.39**	22.84
Provision for tax (Net of advance tax / tax deducted at source)	**-**	-	**-**	3.44
Provision for continuity linked bonus	**18.39**	71.90	**79.57**	26.06
TOTAL	**84.53**	122.98	**112.30**	72.75

8. SHORT TERMS BORROWINGS

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Loans & advances from related parties		
– From Malana Power Company Limited (holding Company) (unsecured) (refer Note 42)	**5,816.57**	–
TOTAL	**5,816.57**	–

9. TRADE PAYABLE AND OTHER CURRENT LIABILITIES

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Trade payable	**2,508.80**	**4,171.80**
Other current liabilities		
Current maturities of long term borrowings	**7,052.33**	5,909.21
Deposit from contractors and others (refer note 38)	**217.14**	423.33
Payable to related party	**50.42**	-
Interest accrued but not due on loan from financial institution	**623.67**	597.45
Statutory dues payable	**106.64**	182.70
TOTAL	**8,050.20**	7,112.69

10.

(All amounts in ₹)

	Tangible Assets											
Particulars	**Freehold land (also refer note 39)**	**Freehold Building**	**Civil Work**	**Transmission Line**	**Plant and Machinery**	**Project equipment**	**Electrical installation**	**Office equipments**	**Furniture and Fixtures**	**Computers**	**Vehicles**	**Total (Tangible Assets)**
At Cost												
As at 1 April 2010	-	2,554.88	-	-	-	5,926.87	308.04	79.19	197.66	109.94	169.66	9,346.24
Additions	2,993.39	10,658.43	59,891.94	38,992.42	48,594.66	263.82	19.46	1.63	11.73	2.77	-	161,430.25
Disposals	-	-	-	-	-	6,152.46	-	-	-	-	-	6,152.46
As at 31 March 2011	2,993.39	13,213.31	59,891.94	38,992.42	48,594.66	38.23	327.50	80.82	209.39	112.71	169.66	164,624.03
Additions	-	13,866.15	22,431.92	1,420.03	153.87	36.42	2.50	1.03	4.49	3.50	18.18	37,938.09
Disposals	-	-	-	-	-	-	-	7.41	1.40	11.61	20.40	40.82
As at 31 March 2012	2,993.39	27,079.46	82,323.86	40,412.45	48,748.53	74.65	330.00	74.44	212.48	104.60	167.44	202,521.30
Depreciation												
As at 1 April 2010	-	132.53	-	-	-	3,237.84	57.13	34.56	106.29	90.20	105.45	3,763.99
Charge for the year	-	581.13	2,131.19	1,098.54	1,725.06	690.44	14.44	6.40	16.65	8.36	16.63	6,288.84
Disposals	-	-	-	-	-	3,919.39	-	-	-	-	-	3,919.39
As at 31 March 2011	-	713.66	2,131.19	1,098.54	1,725.06	8.89	71.57	40.96	122.94	98.56	122.08	6,133.44
Charge for the year	-	1,374.81	3,314.31	2,186.78	2,575.18	14.33	17.65	5.44	18.06	6.02	11.48	9,524.06
Disposals	-	-	-	-	-	-	-	4.47	1.15	10.96	17.17	33.75
As at 31 March 2012		**2,088.47**	**5,445.50**	**3,285.32**	**4,300.24**	**23.22**	**89.22**	**41.93**	**139.85**	**93.62**	**116.39**	**15,623.75**
Net Block												
As at 31 March 2012	2,993.39	24,990.99	76,878.36	37,127.13	44,448.29	51.43	240.78	32.51	72.63	10.98	51.06	186,897.55
As at 31 March 2011	2,993.39	12,499.65	57,760.75	37,893.88	46,869.60	29.34	255.93	39.86	86.45	14.15	47.59	158,490.59

Notes :

1. Addition include expenditure during the construction period amounting to Rs.15,056.65 lakhs (previous year Rs.56,523.95 lakhs) capitalised under following heads:

	Amount (₹ lakhs)	Amount (₹ lakhs)
Road & Building	5,821.00	4,155.98
Civil Works	96.48	23,556.65
Transmission Lines	-	9,743.71
Plant & Machinery	9,139.17	19,067.61
Total	**15,056.65**	**56,523.95**

2. Depreciation amounting to Rs. 851.40 lakhs (previous year Rs. 726.54 lakhs) has been transferred to expenditure during construction period.
3. Gross block of transmission line includes payment for 'Right to use' amounting to Rs.5,253.98 lakhs. Right to use' is a irrevocable perpetual right of use of land, but the ownership of land does not vest with the Company.
4. The depreciation charged during the year includes Rs.77.33 lakhs (previous year Rs.Nil) pertaining to earlier years.

11. CAPITAL WORK IN PROGRESS

	As at 31 March 2011 (₹ in lakhs)	Additions / Adjustments during the year	Capitalised during the year	As at 31 March 2012 (₹ in lakhs)
Road & Building				
Roads	**7,783.25**	169.02	**7,952.27**	-
Civil				
Head race tunnel	**9,477.92**	2,944.82	**12,422.74**	-
Pressure shaft/ penstock	**-**	579.16	**579.16**	-
Gates	**49.90**	81.88	**131.78**	-
Plant & Machinery				
Power house	**-**	11.79	**11.79**	-
Switch Yard- Mechanical	**-**	11.42	**11.42**	-
Turbine & Generators	**-**	70.96	**70.96**	-
Power Cables	**-**	6.89	**6.89**	-
Electro & mechanical auxiliary services	**-**	5.14	**5.14**	-
Assets under capitalisation	**-**	5.40	**-**	5.40
Capital stocks	**790.85**	(506.68)	**-**	284.17
- includes stocks lying with third parties Rs 284.17 lakhs (Previous year Rs. 486.25 lakhs)				
Total	**18,101.92**	3,379.81	**21,192.16**	289.57

12. EXPENDITURE DURING CONSTRUCTION PERIOD (PENDING CAPITALISATION)

	As at 1 April 2011 (₹ in lakhs)	Addition / Adjustments during the year (₹ in lakhs)	Capitalised during the year (₹ in lakhs)	As at 31 March 2012 (₹ in lakhs)
Employee benefits expense				
Salaries , wages and bonus	**1,000.84**	142.00	**1,142.84**	-
Contribution to provident and other funds	**67.36**	9.00	**76.36**	-
Gratuity expenses	**9.95**	-	**9.95**	-
Long term compensated absences	**7.85**	-	**7.85**	-
Workmen and staff welfare expenses	**67.84**	21.00	**88.84**	-
	1,153.84	172.00	**1,325.84**	-
Other expenses				
Rent	**124.49**	-	**124.49**	-
Rates & taxes	**0.78**	-	**0.78**	-
Insurance (net of insurance claim recoveries of Rs 26.00 lakhs)	**235.45**	(26.00)	**209.45**	-
Repairs and maintenance	**-**			
- Plant and machinery	**59.79**	-	**59.79**	-
- Civil works	**3.44**	-	**3.44**	-
- Buildings	**6.59**	-	**6.59**	-
- Others	**6.07**	3.69	**9.76**	-
Travelling expense	**151.93**	8.00	**159.93**	-
Conveyance	**37.88**	5.00	**42.88**	-
Vehicle running & hiring expenses	**246.55**	50.00	**296.55**	-
Communication expenses	**37.83**	-	**37.83**	-
Auditor's Remuneration :	**-**			
- Audit fee	**4.23**	-	**4.23**	-
- Fees for international reporting	**2.83**	-	**2.83**	-
- Fees for special audit	**0.79**	-	**0.79**	-
- Fees for certification	**1.89**	-	**1.89**	-
- Out of pocket expenses	**0.78**	-	**0.78**	-
Charity and donations (other than to political parties)	**6.82**	-	**6.82**	-

	As at 1 April 2011 (₹ in lakhs)	Addition / Adjustments during the year (₹ in lakhs)	Capitalised during the year (₹ in lakhs)	As at 31 March 2012 (₹ in lakhs)
Director's remuneration	**16.65**	-	**16.65**	-
Tender expenses	**25.81**	-	**25.81**	-
Legal & professional charges	**290.53**	2.00	**292.53**	-
Engineering fees	**1,516.70**	447.21	**1,963.91**	-
Consultancy charges	**344.09**	22.85	**366.94**	-
Test & Survey Expenditure	**62.11**	-	**62.11**	-
Expenditure on forest land (Refer note no 39)	**512.12**	-	**512.12**	-
Environment health and safety	**34.41**	-	**34.41**	-
Fee & subscription	**10.46**	-	**10.46**	-
Stores, spares & other consumables	**486.83**	78.00	**564.83**	-
Hiring of equipment (net of recoveries of Rs 18.58 lakhs)	**483.50**	(18.58)	**464.92**	-
Power and fuel (net of recoveries of Rs nil)	**103.84**	7.00	**110.84**	-
Installation charges	**6.86**	-	**6.86**	-
Security arrangement expense	**135.33**	36.00	**171.33**	-
Social welfare expenses (referr Note 49)	**235.62**	250.00	**485.62**	-
Miscellaneous expenses (net of recoveries Rs. 6.77 lakhs)	**145.08**	19.00	**164.08**	-
	5,338.08	884.16	**6,222.26**	-
Finance cost				
Interest on Term Loan	**4,173.15**	1,265.00	**5,438.15**	-
Interest to Holding Company	**1,104.01**	-	**1,104.01**	-
Interest on Others	**7.57**	-	**7.57**	-
Financial / bank charges	**302.80**	-	**302.80**	-
	5,587.53	1,265.00	**6,852.53**	-
Depreciation	**851.40**	-	**851.40**	-
Fringe benefit tax	**25.12**	-	**25.12**	-
	11,802.12	2,149.16	**13,951.31**	-
Less : Interest earned	**(84.08)**	-	**(84.08)**	-
Less : Scrap sale	**(94.33)**	(42.10)	**(136.42)**	-
	12,777.56	2,279.07	**15,056.65**	-

13. LOANS AND ADVANCES

(Unsecured, considered good unless otherwise stated)

	Long-term		Short-term	
	As at 31 March 2012 (` in lakhs)	As at 31 March 2011 (` in lakhs)	As at 31 March 2012 (` in lakhs)	As at 31 March 2011 (` in lakhs)
Capital advances	**81.44**	1,007.74	**-**	-
Advance tax, tax deducted at source (net of provision for tax)	**50.32**	-	**-**	-
Loans to employees	**24.24**	10.14	**14.21**	38.30
Security deposits (unsecured, considered good)	**25.70**	35.82	**-**	-
Advances recoverable in cash or in kind for value to be received	**-**	-	**251.67**	161.59
Advances recoverable in cash or in kind for value to be received (unsecured, considered doubtful)	**-**	-	**24.40**	-
Less: provision for doubtful advances	**-**	-	**(24.40)**	-
TOTAL	**181.70**	1,053.70	**265.88**	199.89

14. OTHER NON CURRENT ASSETS

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Balance with Banks:		
Deposits with original maturity period of more than 12 months	**71.71**	76.71
Fixed deposit of Rs 2.00 lakhs (previous year Rs 2.00 lakhs) pledged with the H.P. Government Sales Tax Department		
TOTAL	**71.71**	76.71

15. INVENTORIES

(valued at lower of cost and net realisable value)

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Stores and spares [including stock lying with third parties Rs.33.94 lakhs (previous year Rs. 14.42 lakhs)]	**1,317.75**	1,153.09
Scrap	**30.99**	44.92
TOTAL	**1,348.74**	1,198.01

16. TRADE RECEIVABLES

(Unsecured, considered good unless stated otherwise)

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Outstanding for a period exceeding six months from the date they are due for payment (refer Note 48)	**316.68**	316.68
Other receivables	**941.62**	226.06
TOTAL	**1,258.30**	542.74

17. CASH AND BANK BALANCES

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Cash and cash equivalents		
Balances with banks in:		
- Current accounts	**434.25**	387.96
Cash on hand	**2.45**	4.46
	436.70	392.42
Other bank balances		
Margin money (held as security)	**12.38**	2.00
Deposits with original maturity for more than 12 months	**59.33**	74.71
	71.71	76.71
Less: Amount disclosed under non current assets (note 14)	**(71.71)**	(76.71)
TOTAL	**436.70**	392.42

18. OTHER CURRENT ASSETS

	As at 31 March 2012 (₹ in lakhs)	As at 31 March 2011 (₹ in lakhs)
Interest accrued on banks deposits	**7.41**	3.01
Fixed assets (project equipment) held for sale (at net book value or estimated net realisable value, whichever is lower)	**2,202.55**	2,233.07
TOTAL	**2,209.96**	2,236.08

19. REVENUE FROM OPERATIONS

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Revenue from Operations		
Sale of Power		
Revenue from Operations (Gross)	**16,885.19**	3,908.79
Less : Discount on prompt payments	**(272.13)**	(73.07)
Less : Handling charges (NRLDC charges)	**(48.16)**	(37.59)
Less : Unscheduled interchange (charges) / credit	**365.36**	213.38
Other operating income		
Transmission charges received (refer note 47)	**1,808.89**	-
Revenue from Operations (Net)	**18,739.15**	4,011.51

20. OTHER INCOME

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Interest income on		
Bank deposits	**35.42**	29.60
Profit on sale of assets	**11.77**	-
Miscellaneous income	**0.04**	-
TOTAL	**47.23**	29.60

21. EMPLOYEE BENEFITS EXPENSES

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Salaries, wages and bonus	**1,059.59**	730.24
Contribution to provident and other funds	**58.21**	24.00
Gratuity expenses (refer note 31)	**20.13**	20.41
Leave compensation expenses	**32.95**	22.84
Workmen and staff welfare expenses	**86.39**	60.11
TOTAL	**1,257.27**	857.60

22. OTHER EXPENSES

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Stores, spares & other consumables [including material written off Rs. Nil; (previous year Rs.58.30 lakhs)]	**133.52**	106.69
Rent	**89.10**	71.14
Power and fuel	**134.58**	114.82
Repair and maintenance		
- Buildings	**7.21**	6.90
- Civil works	**160.20**	183.12
- Plant and machinery	**180.01**	122.62
- Others	**45.17**	27.56
Rates and taxes	**0.91**	0.17
Insurance	**423.83**	315.53
Payment to auditor (refer details below)	**16.92**	20.22
Traveling and conveyance	**78.67**	89.76

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Legal and professional expenses	**292.14**	140.87
Consultancy Services Charges	**1.87**	40.50
Open access charges	**7.10**	53.58
Miscellaneous expenditure (share issue expenses) written off	**-**	200.18
Security arrangement expense	**116.79**	144.81
Social welfare expenses (refer Note 49)	**101.58**	37.73
Director's remuneration	**37.67**	24.63
Vehicle running & hiring expenses	**170.49**	139.45
Provision for doubtful advances	**24.40**	-
Miscellaneous expenses	**192.24**	180.54
TOTAL	**2,214.40**	2,020.82
Payment to auditor		
As auditor:		
- Audit fee	**6.62**	6.60
- Fees for international reporting	**4.41**	3.85
In other capacity		
- Fees for special audit	**3.31**	5.25
- Fees for certification	**1.10**	3.30
- Out of pocket expenses	**1.48**	1.22
	16.92	20.22

23. DEPRECIATION EXPENSE

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Depreciation on tangible assets	**9,524.06**	5,562.30
TOTAL	**9,524.06**	**5,562.30**

24. FINANCE COST

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Interest		
- On term loan	**8,671.96**	5,288.59
- To holding company	**-**	354.50
- Bank Charges	**45.76**	37.23
TOTAL	**8,717.72**	5,680.32

25. EARNINGS / (LOSS) PER SHARE (EPS)

The following reflects the profit and share data used in the basic and diluted EPS computations:

	For the year ended 31 March 2012 (₹ in lakhs)	For the year ended 31 March 2011 (₹ in lakhs)
Profit/ (loss) after tax as per statement of profit and loss	**(5,576.73)**	(11,265.34)
Weighted average number of equity shares in calculating basic and diluted EPS	**5,601.53**	5,601.53
Basic and diluted earnings / (loss) per share in Rupees	**(1.00)**	(2.01)

26. Segment Reporting

The Company's activities during the year involved generation of the Hydro power (Refer Note 1). Considering the nature of Company's business and operations, there are no separate reportable segments (business and/ or geographical) in accordance with the requirements of Accounting Standard 17 'Segment Reporting' issued by the Companies (Accounting Standard) Rules, 2006 and hence, there are no additional disclosures to be provided other than those already provided in the financial statements.

27. Related Party Disclosures

(a) **Names of related parties**

Ultimate Holding Company	Bhilwara Energy Limited
Enterprises having significant influence over the Company	SN Power Global Services Pte. Limited SN Power Holding Singapore Pte. Limited Statkraft Norfund Power Invest Norway
Holding Company	Malana Power Company Limited
Key Management Personnel	Mr. R. P. Goel, Whole Time Director.
Fellow Subsidiaries	Indo Canadian Consultancy Services Limited, Green Ventures Pvt Limited Chango Yangthang Hydro Power Limited

(b) Transactions with related parties

(₹ In lakhs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel		Fellow Subsidiary	
	March 2012	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Transactions during the year								
Remuneration paid to Mr. RP Goel	**–**	–	**–**	–	**37.67**	36.47	**–**	–
Consultancy charges to Indo Canadian Consultancy Services Limited	**–**	–	**–**	–	**–**	–	**24.54**	137.64
Consultancy charges to SN Power Global Services Pte. Limited	**–**	–	**447.08**	522.17	**–**	–	**–**	–
Reimbursement of expenses incurred by Malana Power Company Limited on behalf of the Company	**–**	–	**1.15**	67.39	**–**	–	**–**	–
Reimbursement of expenses incurred on behalf of Malana Power Company Limited	**–**	–	**20.31**	9.95	**–**	–	**–**	–

(₹ In lakhs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel		Fellow Subsidiary	
	March 2012	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Reimbursement of expenses incurred by Indo Canadian Consultancy Services Limited on behalf of the Company	**–**	–	**–**	–	**–**	–	**36.10**	62.32
Reimbursement of expenses incurred on behalf of Indo Canadian Consultancy Services Limited	**–**	–	**–**	–	**–**	–	**0.16**	0.26
Reimbursement of expenses incurred by Statkraft Norfund Power Invest Norway on behalf of the Company	**–**	–	**13.89**	201.62	**–**	–	**–**	–
Shares Capital allotted to Malana Power Company Limited	**–**	–	**–**	–	**–**	–	**–**	–
Reimbursement of expenses incurred by Bhilwara Energy Limited on behalf of the Company	**49.98**	16.14	**–**	–	**–**	–	**–**	–
Reimbursement of expenses incurred on behalf of Bhilwara Energy Limited	**22.17**	1.51	**–**	–	**–**	–	**–**	–
Unsecured Loan taken from Malana Power Company Limited	**–**	–	**12,108.02**	8,516.78	**–**	–	**–**	–
Unsecured Loan repaid to Malana Power Company Limited	**–**	–	**3,594.26**	2,320.00	**–**	–	**–**	–
Interest Expense on Unsecured loan taken from Malana Power Company Limited	**–**	–	**–**	1,869.02	**–**	–	**–**	–
Balances outstanding as at the year end								
Balances Receivable:								

(₹ In lakhs)

Nature of Transaction	Ultimate Holding Company		Holding Company/ Enterprises having significant influence over the Company		Key Management Personnel		Fellow Subsidiary	
	March 2012	March 2011	**March 2012**	March 2011	**March 2012**	March 2011	**March 2012**	March 2011
Bhilwara Energy Limited	**–**	5.23	**–**	–	**–**	–	**–**	–
Balances Payable:								
Indo Canadian Consultancy Services Limited	**16.22**	–	**–**	–	**–**	–	**–**	–
Bhilwara Energy Limited	**34.20**	–	**–**	–	**–**	–	**–**	–
SN Power Global Services Pte. Limited	**–**	–	**131.55**	141.95	**–**	–	**–**	–
Unsecured Loan taken from Malana Power Company Limited	**–**	–	**52,196.57**	43,701.98	**–**	–	**–**	–
Interest accrued on Unsecured Loan from Malana Power Company Limited	**–**	–	**7,461.13**	7,461.13	**–**	–	**–**	–
Guarantees given by the Malana Power Company Limited on behalf of the Company	**–**	–	**8,000.00**	8,000.00	**–**	–	**–**	–

28. **Capital and other commitments**

Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) ₹ 2,204.83 lakhs (Previous Year ₹ 10,548.48 lakhs)

29. Unhedged foreign currency exposure at the balance sheet date

Particulars	**2011-12**	2010-11
Creditor for engineering fees	**₹ 37.05 lakhs (CAD 0.72 lakhs @ closing rate of 1CAD = ₹ 51.46)**	₹ 185.52 lakhs (CAD 4 lakhs @ closing rate of 1CAD = ₹ 46.38)
Creditor for Supervisory Manpower Support	**₹ 131.54 lakhs (USD 2.58 lakhs @ closing rate of 1 USD =₹ 51.02)**	₹ 141.95 lakhs (USD 3.16 lakhs @ closing rate of 1 USD =₹ 44.86)

30. The Government of India has promulgated an Act namely The Micro, Small and Medium Enterprises Development Act, 2006 which came into force with effect from October 2, 2006. As per the Act, the Company is required to identify the Micro, Small and Medium suppliers and pay them interest on overdue beyond the specified period irrespective of the terms agreed with the suppliers. As per the information available with the Company and relied upon by the auditors, none of the creditors fall under the definition of 'supplier' as per the Section 2(n) of the Act. In view of the above, the prescribed disclosures under Section 22 of the Act are not required to be made.

31. **Gratuity –Defined benefit plan (AS 15- Revised)**

The Company has a defined benefit gratuity plan. Gratuity (being administered by a Trust) is computed as 15 days salary, for every completed year of service or part thereof in excess of 6 months and is payable on retirement / termination / resignation. The benefit vests on the employee completing 5 years of service. The Gratuity plan for the Company is a defined benefit scheme where annual contributions are deposited with a Gratuity Trust Fund established to provide gratuity benefits. The Trust Fund has taken a Scheme of Insurance, whereby these contributions are transferred to the insurer. The Company makes provision of such gratuity asset/ liability in the books of accounts on the basis of actuarial valuation as per the Projected unit credit method.

The following tables summarise the components of net benefit expense recognised in the 'Expenditure during construction period (pending allocation)' / 'Employee benefits expenses' and the funded status and amounts recognised in the balance sheet:

Profit and Loss Account

Net employee benefits expense (recognised in Employee Cost):

Particulars	**For the year ended March 31, 2012 (₹in lakhs)**	For the year ended March 31, 2011 (₹ in lakhs)
Current Service Cost	**12.39**	11.04
Interest cost on benefit obligation	**5.43**	4.55
Expected return on plan assets	**(3.49)**	(3.66)
Net actuarial (gain)/ loss recognised in the period	**5.80**	8.48
Past service cost	**–**	–
Net benefit expense	**20.13**	20.41
Actual return on plan assets	**(4.44)**	(3.18)

Balance Sheet

Details of Provision for Gratuity:

Particulars	**As at March 31, 2012 (₹ in lakhs)**	As at March 31, 2011 (₹ in lakhs)
Defined benefit obligation	**78.54**	63.90
Fair value of plan assets	**63.89**	43.49
Surplus / (Deficit)	**(20.05)**	(20.41)
Less: Unrecognised past service cost	**–**	–
Net asset / (liability) recognized in Balance Sheet	**(20.05)**	(20.41)

Changes in the present value of the defined benefit obligation are as follows:

Particulars	**As at March 31, 2012 (₹ in lakhs)**	**As at March 31, 2011** (₹ in lakhs)
Opening defined benefit obligation	**63.90**	56.90
Interest cost	**5.43**	4.55
Current service cost	**12.39**	11.04
Benefits paid	**(9.93)**	(16.60)
Actuarial (gains)/ losses on obligation	**6.76**	8.01
Closing defined benefit obligation	**78.54**	63.90

Changes in the fair value of plan assets are as follows:

Particulars	**As at March 31, 2012 (₹ in lakhs)**	As at March 31, 2011 (₹ in lakhs)
Opening fair value of plan assets	**43.49**	45.78
Expected return	**3.49**	3.66
Contributions by employer	**20.41**	11.12
Benefits paid	**(9.93)**	(16.60)
Actuarial gains / (losses)	**0.96**	(0.48)
Closing fair value of plan assets	**58.49**	43.49

The Defined benefit obligation amounting to ₹ 78.54 lakhs is funded by assets amounting to ₹ 58.49 lakhs and the Company expects to contribute Rs 20.05 lakhs during the next year.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	As at March 31, 2012	As at March 31, 2011
	%	%
Investments with insurer	100	100

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

The principal assumptions used in determining gratuity liability for the Company's plans are shown below:

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
	%	%
Discount Rate	8.50	8.00
Expected rate of return on assets	8.00	8.00
Future Salary Increase	6.00	5.00
Withdrawal rate	1 to 3	1 to 3

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Amounts for the current and previous four years are as follows*:

	For the year ended March 31, 2012	For the year ended March 31, 2011	For the year ended March 31, 2010	For the year ended March 31, 2009	For the year ended March 31, 2008
Defined benefit obligation	78.54	63.90	56.90	45.30	32.98
Plan assets	58.49	43.49	45.78	33.93	12.98
Surplus / (deficit)	(20.05)	(20.41)	(11.12)	(11.38)	(20.00)
Experience adjustments on plan liabilities	(7.00)	(8.22)	(4.10)	1.12	-
Experience adjustments on plan assets	(0.96)	(0.48)	5.03	0.29	-

* As the Company has adopted AS -15 (revised) in the year 2007-08, the above disclosures as required under Para 120 (n) have been made prospectively from the date the Company has first adopted the standard.

Defined Contribution Plan **(₹ in lakhs)**

Particulars	2011–12	2010–11
Contribution to Provident Fund	56.57	53.15
Contribution to Superannuation Fund	10.50	8.13
	67.07	61.28

32. The Company has signed a Quadripartite Agreement on November 5, 2005 with Rajasthan Spinning & Weaving Mills Limited (RSWM) (the holder of Implementation rights /promoter), Malana Power Company Limited and Government of Himachal Pradesh for transfer of the project from RSWM to the Company to give effect to Implementation Agreement signed between RSWM and Government of Himachal Pradesh.

    The Company has the necessary permission from the Government of Himachal Pradesh to own, operate & maintain the project and sell power for a period of forty years from the date of commercial operation i.e. July 29, 2010 with the option to avail a further extension for a maximum period of twenty years after renegotiation of terms and conditions.

33. The date of capitalization of Duhangan portion of the project has been considered as February 29, 2012, being the date when water conductor system was charged/commissioned, as certified by the management.

34. As per the terms of the Implementation Agreement signed with the State Government of Himachal Pradesh on February 2, 2001, the project was scheduled to be completed within 105 months of entering into the said agreement i.e. the scheduled completion date of the project was October 2, 2009. Further, as per the agreement

in case of delay in completion of the project, there was a disincentive in terms of additional free power to be given to State Government over the initially agreed 12% as under:

"In the event that the commercial operation date of the project is delayed beyond the scheduled commercial operation date, the quantum of free electricity supply shall be as follows - 12% plus 0.2% for each period of 73 days or part thereof falling between the scheduled operation date of the project and the commercial operation date of the project".

The management believes that the delay in completion of project is due to factors outside the control of the Company and there is no additional obligation to supply free power over and above the 12% free power to HPSEB as per the agreement and no adjustments are deemed necessary to financial statements in this regard.

35. On account of various reasons beyond the control of the Company (like significant geological problems experienced in tunneling work and others), the project has undergone significant cost over-runs and the total estimated cost of the project has gone up from ₹ 89,560.00 lakhs to ₹ 208,709.95 lakhs. Further, the Company has incurred a loss of ₹ 5,576.73 lakhs during the year ended March 31, 2012 and has accumulated losses of ₹ 16,842.06 lakhs as at March 31, 2012.

    Further, based on financial projections (including the projected tariff) arrived at after considering the past experience of running similar power project and renewable source of fuel, management believes that profits are expected to accrue once the entire project runs on full capacity for entire year and hence, no adjustments are required to the carrying amount of fixed assets on account of impairment. Further, management is of the view that despite such increase in estimated project cost and loss in the current year, the going concern assumption of the Company has not been vitiated.

36. The Company is eligible for tax holiday under Section 80-IA of the Income Tax Act, 1961. In view of business loss and unabsorbed depreciation in the current year, the Company has not availed the tax holiday period.

37. In accordance with Accounting Standard 22 'Accounting for Taxes on Income', issued by the Companies (Accounting Standard) Rules, 2006, in view of the fact that the Company is under the stage of setting up the hydro power project, deferred tax assets have not been accounted for in the books since it is not virtually certain whether the Company will be able to take advantage of such items.

38. Sundry Creditors for supplies and services and deposits from contractors and others amounting to ₹ 2,474.72 lakhs and Advances from contractors / suppliers amounting to ₹ 210.80 lakhs are subject to confirmation / reconciliation as at the year end or any time during the year. Subsequent to the year end, the management is in the process of seeking confirmation / reconciliation from these contractors / suppliers for the balances outstanding. In the opinion of the management, such advances / inventory appearing as outstanding at year end are good of recovery, while the amounts payable are due and consequential adjustments required on reconciliation of the balances payable to / receivable from these contractors / suppliers will not be material in relation to the financial statements of the Company.

39. (a) Land includes ₹ 56.77 lakhs paid to Deputy Commissioner, Kullu towards transfer of government's agriculture land measuring 10.76 hectare, for which the execution of lease deed is pending.

    (b) Land includes ₹ 2,980.70 lakhs paid for 12.53 hectares land, out of which mutation for execution of 9.73 hectares in favour of Company has been completed. Apart from notified land, 2.80 hectares land has been acquired directly from the villagers and the mutation is in progress.

    (c) ₹ 7,781.80 lakhs paid to Divisional Forest Officer, Kullu on account of use of forest land measuring 264.36 hectares represents amount paid towards loss of environment value, compulsory afforestation, cost of tree felling and Catchment Area Treatment Plan.

40. The Company has commenced commercial operation of Allain side on July 29, 2010, the Transmission line on September 16, 2010 and the Duhangan portion on February 29, 2012. The management is in the process of carrying out detailed reconciliation of the variations in actual and budgeted quantities of key items (viz. cement, steel, etc.) used in construction of the plant and believes that no material adjustments are likely to be recorded in the financial statements upon completion of such reconciliation exercise.

41. **Leases**

    In case of assets taken on Operating Lease:

    Office premises, vehicles, equipments, guest houses and godowns are obtained on cancellable operating leases. All these leases have a lease terms varying between 3 to 5 years. There are no restrictions imposed by lease arrangements. There are no subleases.

(Rs in lakhs)

Particulars	For the year ended March 31, 2012	For the year ended March 31, 2011
Lease payments for the year	**218.95**	372.55

42. The Company has taken loan from its holding company, Malana Power Company Limited of which ₹ 59,657.70 lakhs (₹ 51,163.11 lakhs in previous year) (including principal and interest amount) is outstanding at year end.

As mentioned above, the Company has commenced commercial operations during the previous year and commissioned its Duhangan portion with effect from February 29, 2012. Due to substantial cost overruns witnessed, resulting in huge reported losses as at March 31, 2011, the Company has requested its holding company to waive off the interest from September 17, 2010 to March 31, 2011 and henceforth not to charge any interest till the time the Company's operations become profitable. The Board of Directors of its holding company, vide their meeting dated March 29, 2011, have approved such request and, thus agreed to waive off interest of ₹ 2,479.01 lakhs for the period from September 17, 2010 to March 31, 2011 (which was charged at rate of interest of 11 % per annum, as agreed with the holding company earlier).

Thus, interest charged by the holding company has been capitalized till July 28, 2010 for Allian portion and till September 16, 2010 for transmission line and Duhangan portion, while the same has been not accounted for from September 17, 2010 onwards.

43. Expenditure in foreign currency (accrual basis)

Particulars	2011-12 (₹ in lakhs)	2010-11 (₹ in lakhs)
Engineering fees and consultancy charges	**146.93**	646.09
Legal and professional charges	**390.39**	594.59
Travelling	**17.29**	17.38
Finance cost	**5.15**	4.54

44. Contingent liabilities

Particulars	2011-12 (₹ in lakhs)	2010-11 (₹ in lakhs)
Bank guarantee outstanding	**Nil**	25.00
Claims by contractors / suppliers against the Company not acknowledged as debts*	**70.00**	1,168.75
Claim from customer not acknowledged as debts (for loss of revenue on sale of electricity to HPSEB) (also refer Note 48)	**316.68**	316.68

* The Company believes that these claims are not probable to be decided against the Company and therefore, no provision for the above is required.

45. Imported and indigenous stores and spare parts consumed (included under respective heads of 'Expenditure during construction period (pending capitalization)' and 'statement of profit & loss account'):

	Percentage of total consumption		Value (₹ lakhs)	
Stores & Spares	**March 2012**	**March 2011**	**March 2012**	**March 2011**
Imported	**0.21**	74.56	**0.24**	247.54
Indigenously obtained	**99.79**	25.44	**111.56**	84.52
	100.00	100.00	**111.80**	332.06

*excluding material written off amounting to ₹ Nil (previous year ₹ 58.30 lakhs)

46. Value of imports calculated on CIF basis **(₹ lakhs)**

	March 2012	March 2011
Project Equipments	**Nil**	4.31
	Nil	4.31

47. During the year, as per the Appellate Tribunal for Electricity ('APTEL')'s order dated June 20, 2011, an interim Power Transmission Agreement was signed between the Company and Everest Power Private Limited ('EPPL') on August 9, 2011, according to which, EPPL has agreed to pay monthly transmission charges of ₹ 227.76 lakhs for the EPPL's Injected energy / power wheeled through the transmission system of the Company.

These charges have been worked out on provisional basis as per audited cost of transmission line of the Company against which EPPL has filed a petition with APTEL challenging the basis of said charges. Based on discussion with lawyers, the management is confident that the transmission charges income of ₹ 1,808.89 lakhs recorded in the financial statements is appropriate and any adjustments, arising out of the final order of APTEL on the matter, will not be material in relation to the financial statements.

48. During the previous year, due to flooding at its plant, the Company could not supply power to HPSEB for the period from August 20, 2010 to August 28, 2010. Against the same, HPSEB has claimed and withheld the payment of ₹ 316.68 lakhs payable by them against supply of power by the Company for the subsequent period. The Company believes that the non supply was due to 'forced shutdown' beyond the control of the Company and thus, *force majeure* provisions are applicable.

The management is in discussion with the Board officials and is hopeful of resolution of the matter in its favour and release of the payment shortly. Thus, no adjustments have been deemed necessary in the financial statements in this regard.

49. As per the Hydro Power policy of the Government of Himachal Pradesh, the project developer is required to remit an amount equivalent to 1.5% of the project cost to the Chairman of the Local Area Development Committee on account of Local Area Development Fund ('LADF').

During the year, the concerned department has revisited the LADF obligation of the Company and based on revised project cost, has worked out a total liability of ₹ 1,383.00 lakhs. The Company has deposited an amount of ₹ 399.00 lakhs (including Rs 234.00 lakhs paid in current year) towards the LADF and also incurred expenses of ₹ 1,134.00 lakhs against the same. The said department has stated that the work done for Rs 398.00 lakhs is not permissible as per the policy, which the Company has contested.

Pending such finalization of the assessment, no additional provision has been deemed necessary in the financial statements in this regard.

50. Previous year figures

Till the year ended March 31, 2011, the Company was using pre-revised Schedule VI to the Companies Act 1956, for preparation and presentation of its financial statements. During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company. The Company has reclassified previous year figures to conform to this year's classification. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it significantly impacts presentation and disclosures made in the financial statements, particularly presentation of balance sheet.

As per our report of even date

For **S. R. Batliboi & Co.**
Chartered Accountants
Firm Registration No. : 301003E

per Raj Agrawal
Partner
Membership No. 82028

Place : Gurgaon
Dated : August 30, 2012

For and on behalf of the Board of Directors of AD Hydro Power Limited

Ravi Jhunjhunwala
Director
DIN: 00060972

ERIK KNIVE
Director
DIN: 05213708

O.P. AJMERA
Chief Executive Officer

SANDEEP CHANDNA
Company Secretary
M.No.: F6345

Place : Noida
Date : August 30, 2012